

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 ISO-00 NEA-11 INT-08 CIEP-02

FEA-02 COME-00 SPC-03 SAM-01 AID-20 NSC-10 RSC-01

TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 USIA-15 PRS-01 DRC-01 FTC-01 L-03

H-03 /174 W

----- 124431

R 111600Z FEB 74

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 6584

INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L KINSHASA 1311

E. O. 11652: GDS

TAGS: ENRG, ECON, CG

SUBJ: PETROLEUM DISTRIBUTION IN ZAIRE

1. SUMMARY: SITUATION UNCLEAR AND FLUID. WHILE GOZ MAINTAINS IT HAS "TAKEN OVER" IMPORTING, DISTRIBUTING AND MARKETING COMPANIES, FOUR FIRMS AFFECTED HAVE BEEN ASKED TO CONTINUE NORMAL OPERATIONS UNTIL FURTHER NOTICE. STATE OIL MONOPLY "PETROZAIRE" WHICH, IN THEORY, NOW OWNS COMMERCIAL FACILITIES OF OIL DISTRIBUTING COMPANIES EXISTS LARGELY ON PAPER. ALTHOUGH MOBUTU UNLIKELY TO ALTER PUBLIC POSTURE THAT OIL DISTRIBUTION NOW ZAIRIANIZED, OPPORTUNITY MAY EXIST FOR OIL DISTRIBUTORS TO WORK OUT DE FACTO ARRANGEMENTS WITH GOZ.

2. GOVT AND OIL COMPANIES HAVE SOMEWHAT DIFFERING VIEWS OF EVENTS WHICH PRECIPITATED MOBUTU'S DEC 18 ANNOUNCEMENT THAT GOZ WOULD HENCEFORTH TAKE OVER IMPORTATION, DISTRIBUTION
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AND MARKETING. OIL COMPANIES AFFIRM THAT IN LATE NOV. THEY INFORMED GOZ THAT BECAUSE OF ARAB CUTBACKS, ZAIRE

SHOULD COUNT ON RECEIVING 20 PERCENT LESS POL. MOBUTU APPARENTLY WAS MISLEAD TO BELIEVE THAT REDUCTION WAS RESULT OF MULTI-NATIONAL COMPANIES FAVORING THE INDUSTRIALIZED STATES WHERE THEIR HQS WERE LOCATED AT THE EXPENSE OF DEVELOPING COUNTRIES. HE RAISED PROBLEM WITH HIS ARAB FRIENDS AND WAS TOLD CUTBACKS DID NOT APPLY TO ZAIRE. SPECIFICALLY, HE WAS PROMISED TANKER OF REFINED PRODUCT ON DEC 15 IN ALGERIA AND HE ASKED COMPANIES HERE TO PROVIDE TRANSPORT. THE COMPANIES STATE THEY WERE UNABLE LOCATE TANKER IN TIME AND MOBUTU BELIEVED COMPANIES DRAGGED FEET. IN ANY EVENT, SHIPMENT NOT PICKED UP AND DECISION ZAIRIANIZE ANNOUNCED SHORTLY AFTERWARDS (KINSHASA 10998). (GOZ HAS NOT USED TERM NATIONALIZATION) COMPANIES WERE ASKED TO CONTINUE IMPORTS FIRST THROUGH DEC 31 AND LATER FEB 28.

3. ON JAN 10, MOBUTU SIGNED DECREE WHEREBY GOZ TOOK OVER FIXED PLANT OF TEXACO, MOBIL, SHELL, FINA, SEP-ZAIRE, B.P. ZAIRE, SOZATOLE, AND SOCIETE DE TRANSPORT DES CARBURANTS. UNDER DECREE GOZ TRANSFERRED PROPERTY TO NEWLY CREATED STATE ORGANIZATION "PETROZAIRE." GOZ ALSO ANNOUNCED THERE WOULD BE SUBSEQUENT DECREE SPECIFYING TH PROPERTY TAKEN OVER AND ARRANGEING COMPENSATION. (SEE KINSHASA 429) IN PERIOD SINCE DEC 10 COMPANIES HAVE, IN ACCORDANCE WITH GOZ ORDERS, CONTINUED NORMAL OPERATIONS. THEY HAVE IMPORTED CRUDE AND FINISHED PRODUCTS AND PROFITS HAVE BEEN TRANSFERRED BY BANK.

4. RUMORS SUCH AS THOSE REPORTED IN STATE 24148 HAVE ALSO BEEN HEARD HERE. SOCIETE GENERAL'S SUBSIDIARY PETROFINA HAS ADOPTED POSITION ITS ZAIRIAN DISTRIBUTOR, FINA ZAIRE, NO LONGER EXISTS BECAUSE IT HAS BEEN NATIONALIZED. IT MAINTAINS THAT IT IS SIMPLY RUNNING DOWN ITS STOCKS AFTER WHICH ALL EXPATRIATE PERSONNEL WHO WISH TO DO SO WILL DEPART. TEXACO, MOBIL AND SHELL ON OTHER HAND HAVE SENSED OPPORTUNITY TO INHERIT FINA'S 46 PERCENT SHARE OF MARKET. THEY HAVE STATED THEY WISH TO STAY ON AND HAVE ADOPTED POSITIVE STANCE VIS-A-VIS GOZ.

5. ARAB "CONCESSION" TO ZAIRE THUS FAR MERELY PERMIT
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MOBUTU TO CHARTER TANKERS AND PURCHASE REFINED PRODUCTS IN ALGERIA AND CRUDE IN LIBYA AT WORLD MARKET PRICE. MOBIL, TEXACO, AND SHELL MAINTAIN THAT BECAUSE OF LONG TERM AGREEMENTS THEY CAN SUPPLY POL TO ZAIRE AT LESS THAN CURRENT WORLD MARKET PRICES AND ARE DOING SO. NO DOUBT MOBUTU WILL SEEK CONCESSIONARY PRICES IN HIS CURRENT SWING THROUGH SAUDI ARABIA, KUWAIT, EGYPT, IRAN AND ABU DHABI; HOWEVER, HIS EFFORTS APPEAR DOOMED IN ADVANCE GIVEN FIRM DECISION CAIRO MEETING. HOPEFULLY, IF AND

WHEN IT BECOMES CLEAR ZAIRE WILL NOT BE ACCORDED
PREFERENTIAL TREATMENT, MOBUTU WILL REACH MODUS VIVENDI
WITH OIL DISTRIBUTORS. WE UNABLE FORECAST WHAT SHAPE
SUCH ACCOMMODATION MIGHT TAKE. ONE POSSIBILITY IS THAT
COMPANIES MIGH HAVE SERVICE CONTRACTS WHILE THEIR
STORAGE TANKS, DELIVERY TRUCKS AND SERVICE STATIONS MIGHT
HAVE TO BE LABELLED "PETROZAIRE".

6. EMBASSY AGREES WITH ASSESSMENT OF MOBUTU'S CURRENT
STATE OF MIND AS REPORTED BY AMB GULLION (MUNICH 220).
EMBASSY BELIEVES IT WOULD BE OPPORTUNE FOR HIGH LEVEL
MOBIL REP TO ARRIVE HERE ASAP AFTER MARCH 4. ONE THING
IS ABUNDANTLY CLEAR; NEITHER GOZ NOR PETROZAIRE IS YET
IN ANY POSITION TO TAKE OVER DISTRIBUTION AND MARKETING.
DIRECTOR GENERAL OF PETROZAIRE AND HIS DEPUTY ARE STILL
BEING PAID BY SHELL, AND MOBIL HAS PROVIDED THEM OFFICE
SPACE.

7. A RELATED PROBLEM OF CONCERN TO EMBASSY IS THAT OF
POL SUPPLIES FOR CONSTRUCTEURS INGA-SHABA. THIS IS SUBJECT
FOLLOWING MESSAGE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, IMPORTS, PETROLEUM INDUSTRY, NATIONALIZATION, PETROLEUM PRODUCTS, HYDROELECTRIC POWER PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KINSHA01311
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740242/aaaabnly.tel
Line Count: 137
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAR 2002 by elyme>; APPROVED <31 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PETROLEUM DISTRIBUTION IN ZAIRE
TAGS: ENRG, ECON, CG
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005